

Message Text

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ORIGIN EUR-02

INFO OCT-01 EA-01 ISO-00 /004 R

66610

DRAFTED BY JC EUR/RPE:WCLARK:LW

APPROVED BY: EUR/RPE:MHLEVINE

EA/ANP-HLANGE

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P 191957Z FEB 75

FM SECSTATE WASHDC

TO AMCONSUL SYDNEY PRIORITY

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FOR HELEN JUNZ

FOLLOWING REPEAT OECD PARIS 3914 ACTION SECSTATE INFO BERN BONN
LONDON OTTAWA PARIS ROME TOKYO EC BRUSSELS NATO 13 FEB

QUOTE

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E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: LATEST OECD FORECASTS FOR STFC AND EPC MEETINGS

REF: USOECD 3728

1. SUMMARY: MISSION HAS OBTAINED FINAL DRAFT OF
STFC/EPC DOCUMENTATION WHICH WILL BE RELEASED FRIDAY,
FEBRUARY 14. DOCUMENTS WILL BE HANDCARRIED THIS WEEKEND
TO CLARK EUR/RPE AND MCCAMEY TREASURY FOR TRANSMITTAL
TO STFC AND EPC PARTICIPANTS. MAIN THRUST OF DOCUMENTS
IS THAT ECONOMIC OUTLOOK HAS BECOME MUCH GLOOMIER THAN IN
DECEMBER, ALONG LINES SKETCHED DURING EDRC PRELIMINARY
REVIEW OF FORECASTS ON FEB. 4 (SEE REFTEL). PRESENT
CABLE TRANSMITS STATISTICAL PROJECTIONS FOR REAL GNP,
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CONSUMER PRICES AND CURRENT ACCOUNT BALANCES FOR 1975.

END SUMMARY.

2. SECRETARIAT HAS PREPARED SINGLE DOCUMENT FOR USE BY SHORT-TERM FORECASTERS ON FEB 27-28 AND BY EPC ON MARCH 6-7. PROSPECTS FOR ECONOMIC ACTIVITY, EMPLOYMENT AND WORLD TRADE SUBSTANTIALLY WORSE THAN FORESEEN IN OECD'S ECONOMIC OUTLOOK PUBLISHED IN DEC. SECRETARIAT ATTRIBUTES FORECASTER'S EARLIER FAILURE TO ANTICIPATE SEVERITY OF DOWNTURN TO "UNDER-ESTIMATION OF THE SIMULTANEOUS LAGGED EFFECTS OF RESTRICTIVE POLICIES AND THE EXTERNAL SHOCK OF THE OIL PRICE INCREASE." SECRETARIAT IS CAREFUL TO NOTE THAT ITS PRESENT FORECASTS ARE PARTICULARLY TENTATIVE, BASED AS THEY ARE ON MORE LIMITED FORECASTING EXERCISE THAN USUAL, AND FACED WITH SPECIAL DIFFICULTIES OF MAKING PROJECTIONS IN PRESENT RAPIDLY-CHANGING ECONOMIC SITUATION. ALL FORECASTS ARE BASED ON ASSUMPTION OF NO CHANGE IN GOVERNMENT POLICIES FROM THOSE PRESENTLY IN PLACE OR ALREADY ANNOUNCED. THIS ASSUMPTION MAY OF COURSE HAVE TO BE MODIFIED IF RISING PRESSURE OF UNEMPLOYMENT LEADS TO FURTHER CHANGES IN GOVERNMENT POLICIES.

3. UNEMPLOYMENT OUTLOOK IS FOR FURTHER DETERIORATION IN LABOR MARKET WITH LITTLE CHANCE OF RECOVERY BEFORE 1976. SECRETARIAT BELIEVES UNEMPLOYMENT MAY RISE ABOVE 9 PERCENT IN U.S. BY MID-1975 AND ABOVE 4 PERCENT IN UK BY END OF YEAR. SITUATION IN GERMANY UNLIKELY TO DETERIORATE MUCH BEYOND CURRENT 4-4.5 PERCENT LEVEL OF UNEMPLOYMENT ASSUMING SUBSTANTIAL DEPARTURE OF FOREIGN WORKERS. FURTHER INCREASES IN UNEMPLOYED ARE EXPECTED IN FRANCE AND CANADA, WHILE JAPAN AND ITALY ARE LIKELY TO EXPERIENCE CONTRACTION OF LABOR FORCE RATHER THAN SHARP INCREASES IN UNEMPLOYMENT.

4. REAL GNP GROWTH: TABLE 1 BELOW GIVES SECRETARIAT ESTIMATES AND FORECASTS OF REAL GNP GROWTH SEASONALLY ADJUSTED AT ANNUAL RATES.

TABLE 1: GROWTH OF REAL GNP IN 7 MAJOR COUNTRIES
PERCENTAGE CHANGES FROM PREVIOUS PERIOD

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	1974	1975	1974	1974	1975	1975
	I	II	I	II		
CANADA	3.7	.75	5.6	-0.6	0	3.5
U.S.	-2.2	-4.5	-3.4	-3.7	-7.75	2
JAPAN	-3.7	1.25	-9.1	1.3	1.25	1
FRANCE(A)	4.5	2.75	4.8	3.2	2	3.25
GERMANY	0.4	.75	1.4	-1.8	1	3

ITALY 3.8 -1.75 5.3 -4.2 -1.5 -.25

UK (A) -0.2 1.25 -3.1 5.2 0 0

TOTAL

BIG 7() -0.8 -1.5 -2.0 -1.4 -3.25 2

OTHER

OECD (B) 2.8 2

TOTAL

OECD (B) -0.3 -1 -1.4 -1.0 -2.5 2.25

TOTAL

EX US(B) 1.0 1.25 -0.1 0.8 1 2.25

(A) GDP

(B) 1973 WEIGHTS AND EXCHANGE RATES

5. CONSUMER PRICES: TABLE 2 BELOW GIVES SECRETARIAT ESTIMATES AND FORECASTS FOR CONSUMER PRICES SEASONALLY ADJUSTED AT ANNUAL RATES.

TABLE 2: CONSUMER PRICES IN 7 MAJOR COUNTRIES (A)
PERCENTAGE CHANGES FROM PREVIOUS PERIOD

	1974	1975	1974	1974	1975	1975
	I	II	I	II		

CANADA 10.1 11.75 9.6 12.2 12.5 10

U.S. 11.3 11 12.5 11.6 10.5 12

JAPAN 25.0 13 29.4 22.5 10.5 9.25

FRANCE(B) 13.7 12 15.0 14.5 12 9

GERMANY 7.3 6.25 7.5 7.0 6.5 6

ITALY (B) 19.0 19.5 20.0 25.0 21 15.5

UK 14.3 21.25 16.2 15.9 22 19.25

TOTAL

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BIG 7(C) 13.6 12 15.2 13.9 11.5 11

GNP DEFLATOR FOR BIG 7 COUNTRIES:

TOTAL 12.6 12 13.3 14.2 11.75 11

(A) NATIONAL ACCOUNTS IMPLICIT PRICE DEFLATOR FOR PRIVATE CONSUMPTION.

(B) CONSUMER PRICE INDEX.

(C) 1973 WEIGHTS AND EXCHANGE RATES.

6. CURRENT BALANCES: TABLE 3 GIVES SECRETARIAT ESTIMATES AND FORECASTS FOR CURRENT BALANCES IN MAJOR SEVEN COUNTRIES PLUS BELGIUM/LUXEMBOURG AND NETHERLANDS.

TABLE 3: CURRENT BALANCES (A)
\$U.S. BILLION, SEASONALLY ADJUSTED

	1974	1975	1974	1974	1975	1975
	I	II	I	II		
CANADA	-1.75	-5.25	- .5	-1.25	-2.5	- 2.75
U.S.	-1.75	-2	.5	-2.25	- .5	- 1.5
JAPAN	-4.5	-2	- 4	- .5	-1	- 1
FRANCE	-6	-4.5	- 3.25	-2.75	-2.25	- 2.25
GERMANY	9.5	12	5.5	4	6.25	5.75
ITALY	-7.5	-4.75	- 4.5	-3.5	-2.5	- 2.25
UK	-9	-7.5	- 4.75	-4.25	-4.25	- 3.25
BELG/LUX	.25	.25	0	- .25	0	.25
NETH.	1.75	2.75	1	.75	1.25	1.5
OTHER						
OECD	-14	-17	- 6.5	-7.5	-8.5	- 8.5
TOTAL						
OECD	-33.5	-28	-16.5	-17	-14	-14

(A) FORECASTS ARE BASED ON ASSUMPTION OF UNCHANGED EXCHANGE RATES OVER PERIOD OF FORECAST; IN THIS CASE EXCHANGE RATES OF JANUARY 20-24 WERE USED.

7. MISSION WILL TRANSMIT MAIN ISSUES PAPER WHEN COMPLETED NEXT WEEK.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, INFLATION, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE037196
Document Source: CORE
Document Unique ID: 00
Drafter: WCLARK:LW
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750060-0012
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750230/aaaabbiic.tel
Line Count: 193
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 USOECD 3728
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ShawDG>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LATEST OECD FORECASTS FOR STFC AND EPC MEETINGS
TAGS: ECON, AS, OECD
To: SYDNEY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006